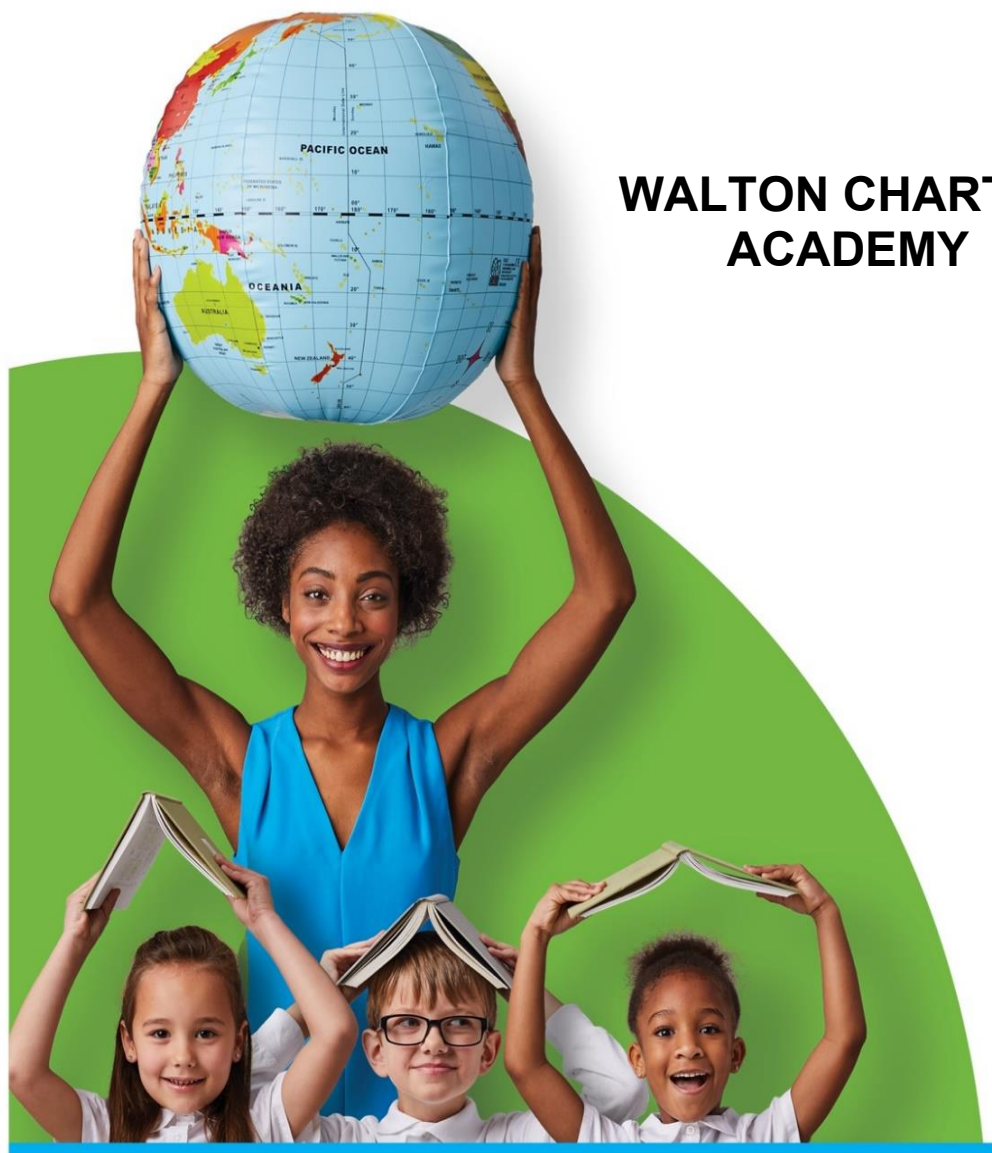




WALTON CHARTER ACADEMY

Financial Statements as of and for the Year Ended
June 30, 2025, Required Supplementary
Information and Additional Information for the Year
Ended June 30, 2025, and Independent Auditor's
Reports

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WALTON CHARTER ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Walton Charter Academy

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Walton Charter Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Walton Charter Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Walton Charter Academy, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Walton Charter Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Walton Charter Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Walton Charter Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Walton Charter Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Walton Charter Academy's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025 on our consideration of Walton Charter Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walton Charter Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walton Charter Academy's internal control over financial reporting and compliance.

Maney Costerian PC

October 23, 2025

WALTON CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

This section of the annual financial report for Walton Charter Academy (the "Academy") provides an overview of the Academy's financial activities as of and for the fiscal year ended June 30, 2025. It should be read in conjunction with the financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's only fund — the General Fund.

Management's Discussion and Analysis
(Required Supplementary Information)

Basic Financial Statements

Academy-wide Financial Statements Fund Financial Statements

Notes to Basic Financial Statements

(Required Supplementary Information)
Budgetary Information for the Governmental Funds

(Additional Information)
Statement of Revenues — General Fund

Schedule of Expenditures and Federal Awards

Reporting the Academy as a whole — Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The Academy's Statement of Net Position — the difference between assets and liabilities, as reported in the Statement of Net Position — is one way to measure the Academy's financial position. The relationship between revenues and expenses is the Academy's operating results. The Academy's goal is to provide services to our students, not to generate profits as private sector companies do. One must consider nonfinancial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the activities of the Academy, all of which are classified as governmental. These activities encompass all the Academy's services, including instruction, support services and food services. State aid (based on student count) and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

Reporting the Academy's Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds — not the Academy as a whole. Some funds are required to be established by state law. However, the Academy establishes other funds to help it control and manage money for particular purposes or as required by state law (the Food Service Fund is an example). The governmental funds of the Academy use the following accounting approach:

Governmental Funds — All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. Only those revenues that are "measurable" and "currently available" are reported. Liabilities are recognized when incurred. The governmental fund statements provide a short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations presented as part of the statements.

The Academy as a Whole

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30:

	2025	2024
Assets - Current	\$ 1,979,775	\$ 2,562,810
Liabilities - current	<u>1,891,140</u>	<u>2,470,715</u>
Net position - unrestricted	<u>\$ 88,635</u>	<u>\$ 92,095</u>

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operations. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the Statement of Activities, which shows the change in net position.

The results of operations for the Academy as a whole are reported in the summarized Statements of Activities (below) which show the changes in net position for the fiscal years ended June 30:

	2025	2024
Revenues:		
State aid	\$ 7,645,812	\$ 7,594,326
Operating grants	<u>2,957,746</u>	<u>3,870,277</u>
Total revenues	10,603,558	11,464,603
Expenses—		
Contracted service fee:		
Instruction	5,138,173	5,904,669
Support services	<u>5,468,845</u>	<u>5,561,653</u>
Total expenses	<u>10,607,018</u>	<u>11,466,322</u>
Change in net position	<u>\$ (3,460)</u>	<u>\$ (1,719)</u>

As reported in the Statement of Activities, the cost of governmental activities was \$10,607,018. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants.

The Academy experienced a decrease in net position of \$3,460 in 2025. Under the terms of the agreement with NHA, NHA provides a spending account to the board of directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

A reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities appears on page 12.

Fund Financial Statements

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes or as required by state law. Looking at funds helps the reader to consider whether the Academy is being accountable for the resources that the State and others provide to it and may provide more insight into the Academy's overall financial health.

The Academy's instruction and support services activities are reported in the General Fund. The Academy's combined fund balance was \$88,635 at June 30, 2025.

A reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position appears on page 11.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

Capital Assets

At June 30, 2025, the Academy had \$0 invested in capital assets. Capital assets are substantially provided as part of the agreement with NHA.

General Economic Factors and Next Year's Budgets

Our officials and administration consider many factors when setting the Academy's 2026 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2026 fiscal year is expected to be 90% and 10% of the October 2025 and February 2025 student counts, respectively. The 2026 budget was adopted in June 2025. Approximately 71% of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2026 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2026 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to public school academies. The State periodically holds a revenue-estimating conference to estimate revenues. If the State estimates funds are not sufficient to fund the appropriation, the legislature must revise the appropriation or proration of state aid will occur. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the Academy in 2026.

Contacting the Academy's Financial Management

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE; Grand Rapids, Michigan 49512.

WALTON PUBLIC SCHOOL ACADEMY

STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 87,714
Due from governmental revenue sources	<u>1,892,061</u>
Total current assets	<u>1,979,775</u>
NON-CURRENT ASSETS:	
Capital assets	19,201
Less accumulated depreciation	<u>(19,201)</u>
Total capital assets, net of accumulated depreciation	<u>-</u>
TOTAL	<u>\$ 1,979,775</u>
LIABILITIES AND NET POSITION	
LIABILITIES:	
Unearned revenue	\$ 1,613,976
Accounts payable	2,532
Contracted service fee payable	<u>274,632</u>
Total liabilities	<u>1,891,140</u>
NET POSITION:	
Unrestricted	<u>88,635</u>
TOTAL	<u><u>\$ 1,979,775</u></u>

See notes to financial statements.

WALTON PUBLIC SCHOOL ACADEMY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2025

		Program Revenues		Governmental
	Expenses	Charges for	Operating	Activities
		Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Position
FUNCTIONS/PROGRAMS —				
Contracted service fee:				
Instruction	\$ 5,138,173	\$ -	\$ 2,037,365	\$ (3,100,808)
Support services	<u>5,468,845</u>	<u>-</u>	<u>920,381</u>	<u>(4,548,464)</u>
Total governmental activities	<u>\$ 10,607,018</u>	<u>\$ -</u>	<u>\$ 2,957,746</u>	<u>(7,649,272)</u>
GENERAL PURPOSE REVENUES:				
State aid unrestricted				<u>7,645,812</u>
CHANGE IN NET POSITION				(3,460)
NET POSITION:				
Beginning of year				<u>92,095</u>
End of year				<u>\$ 88,635</u>

See notes to financial statements.

WALTON PUBLIC SCHOOL ACADEMY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025

	General Fund
ASSETS	
Cash	\$ 87,714
Due from governmental revenue sources	<u>1,892,061</u>
TOTAL	<u>\$ 1,979,775</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES:	
Unearned revenue	\$ 1,613,976
Accounts payable	2,532
Contracted service fee payable	<u>251,524</u>
Total liabilities	<u>1,868,032</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue	<u>23,108</u>
Total liabilities and deferred inflows of resources	<u>1,891,140</u>
FUND BALANCE:	
Committed	7,579
Unassigned	<u>81,056</u>
Total fund balance	<u>88,635</u>
TOTAL	<u>\$ 1,979,775</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Total governmental fund balance		\$ 88,635
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Capital assets cost	\$ 19,201	
Accumulated depreciation	<u>(19,201)</u>	<u>-</u>
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds		23,108
Contracted service fee payable not due and payable in the current period and not reported in the funds		<u>(23,108)</u>
Net position of governmental activities		<u>\$ 88,635</u>

See notes to financial statements.

WALTON PUBLIC SCHOOL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2025

	General Fund
REVENUES:	
State aid	\$ 7,645,812
Other state sources	1,487,928
Federal sources	1,245,300
Private sources	289,023
Local sources	<u>78,758</u>
Total revenues	<u>10,746,821</u>
EXPENDITURES — Contracted service fee:	
Instruction	5,138,175
Support services	<u>5,612,106</u>
Total expenditures	<u>10,750,281</u>
NET CHANGE IN FUND BALANCE	(3,460)
FUND BALANCE — Beginning of year	<u>92,095</u>
FUND BALANCE — End of year	<u>\$ 88,635</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	
Net change in fund balance — total governmental funds	\$ (3,460)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	23,108
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	(166,373)
Contracted service fee recognized consistent with the revenue policy	<u>143,265</u>
Change in net position of governmental activities	<u>\$ (3,460)</u>

See notes to financial statements.

WALTON CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

1. NATURE OF OPERATIONS

Walton Charter Academy (the “Academy”) is a Michigan Public School Academy that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy operates under a charter contract approved by Northern Michigan University, which is responsible for oversight of the Academy’s operations. The charter contract expires June 30, 2026 and is subject to renewal.

The Academy is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The Academy qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(1) and 170(b)(1)(A)(ii).

The Academy’s primary source of revenue is provided by the State of Michigan and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and is funded through payments from October 2024 through August 2025.

The Board of Directors of the Academy has entered into a services agreement (the “agreement”) with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, up to a maximum of five years, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Academy-Wide and Fund Financial Statements — The Academy-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Academy’s government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Academy-Wide Statements — The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has been eliminated from the Academy-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position, or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned and unassigned.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue. .

Fund Classification — The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Academy reports the following major governmental funds:

General Fund — The General Fund is used to account for the general educational programs of the Academy. Its revenues are derived primarily from the State of Michigan.

Capital Assets — Capital assets, which include other equipment, are reported in the applicable governmental column in the Academy-wide financial statements at historical costs of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Cash — Cash as of June 30, 2025 represents bank deposits which are covered by federal depository insurance. Accordingly, there are no investments which are required to be categorized according to risk.

Unavailable and Unearned Revenue — Unavailable revenue is reported in connection with receivables for revenue that is not considered measurable and available to liquidate liabilities of the current period. Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. As of June 30, 2025, a deferred inflow for unavailable revenue was recognized for \$23,108 and a liability for unearned revenue was recognized for \$1,613,976.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2025 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

Fund Balance — Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses. At June 30, 2025, the Academy had \$7,579 in committed fund balance and \$81,056 in unassigned fund balance. The committed fund balance has been committed by resolutions of the Board of Directors for student, parent and staff appreciation, athletics, and board training and development.

Budgetary Information — Annual budgets are adopted on a basis utilizing generally accepted accounting principles and consistent with state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. The budgets can be amended by the Board of Directors as considered necessary.

During the year ended June 30, 2025, the Academy incurred expenditures within the General fund which were in excess of amounts budgeted as follows:

	Budget	Actual
Instruction		
Basic instruction	\$ 2,990,404	\$ 3,039,744
Added needs	2,078,038	2,098,431
Support services:		
Pupil services	546,123	560,744
Instructional staff services	1,057,717	1,129,431
General Administration	467,925	482,064
Business & Internal Services	219,264	230,614
Central services	552,542	653,102
Pupil Activities	18,946	20,129
Operations and maintenance	1,587,773	1,591,743
Community Activities	168,340	168,978

3. DUE FROM GOVERNMENTAL REVENUE SOURCES

Receivables as of June 30, 2025 for the Academy included \$1,415,501 in state aid receivable, \$267,430 in other state sources, \$12,908 in other receivables, and \$196,222 in federal grants receivable. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

4. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2025, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

5. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

6. LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2024 through June 30, 2025. Annual rental payments required by the lease are \$999,840 payable in twelve monthly payments of \$83,320. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA. The lease agreement can be cancelled upon termination of the NHA services agreement.

The Academy is not a party to any leasing arrangements that meet the criteria for recognition of lease assets or liabilities under GASB Statement No. 87, *Leases* based on the noncancellable period being less than 12 months and applicability of the short-term lease exception for the facility lease agreement.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2025 through June 30, 2026, at the same rental rate.

7. OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to Northern Michigan University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2025 the Academy incurred expenses of \$279,956 for oversight fees.

8. MANAGEMENT AGREEMENT

The Academy currently has a management agreement with National Heritage Academies (NHA) for operations of the Academy through June 2026. Under the terms of the management agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

As part of the management agreement, the Academy leases all of its employees from NHA. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of NHA.

The amount due to NHA at June 30, 2025 was \$251,524, and is recorded at the fund level.

9. UPCOMING ACCOUNTING PRONOUCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1. Overview of the Financial Statements,
 - 2. Financial Summary,
 - 3. Detailed Analyses,
 - 4. Significant Capital Asset and Long-Term Financing Activity,
 - 5. Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;

- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

WALTON PUBLIC SCHOOL ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2025

	Original Budget	Final Amended Budget	Actual	Over (Under) Final Budget
REVENUES:				
State aid	\$ 7,468,678	\$ 7,613,982	\$ 7,645,812	\$ 31,830
Other state sources	1,391,453	1,452,809	1,487,928	35,119
Local sources	100,359	102,157	78,758	(23,399)
Federal sources	1,276,532	1,079,463	1,245,300	165,837
Private sources	42,100	238,589	289,023	50,434
Total revenues	10,279,122	10,487,000	10,746,821	259,821
EXPENDITURES - Contracted service fee:				
Instruction:				
Basic instruction	2,942,639	2,990,404	3,039,744	49,340
Added needs	2,243,654	2,078,038	2,098,431	20,393
Support services:				
Pupil services	450,687	546,123	560,744	14,621
Instructional staff services	1,152,339	1,057,717	1,129,431	71,714
General Administration	441,156	467,925	482,064	14,139
School Administration	754,622	751,515	731,541	(19,974)
Business & Internal Services	253,550	219,264	230,614	11,350
Central services	300,000	552,542	653,102	100,560
Pupil transportation services	4,280	47,052	43,294	(3,758)
Pupil Activities	-	18,946	20,129	1,183
Operations and maintenance	1,570,310	1,587,773	1,591,743	3,970
Community Activities	162,795	168,340	168,978	638
Welfare Activities	3,090	1,361	466	(895)
Total expenditures	10,279,122	10,487,000	10,750,281	263,281
NET CHANGE IN FUND BALANCE	-	-	(3,460)	(3,460)
FUND BALANCE - Beginning of year	93,815	92,095	92,095	-
FUND BALANCE - End of year	\$ 93,815	\$ 92,095	\$ 88,635	\$ (3,460)

ADDITIONAL INFORMATION

WALTON PUBLIC SCHOOL ACADEMY

ADDITIONAL INFORMATION STATEMENT OF REVENUES — GENERAL FUND YEAR ENDED JUNE 30, 2025

State aid	\$ 7,645,812
Other state sources:	
Special education	169,462
At-risk	1,121,789
Grants	<u>196,677</u>
Total	1,487,928
Federal sources — grants	1,245,300
Private sources — other	289,023
Local sources	<u>78,758</u>
TOTAL	<u>\$ 10,746,821</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Walton Charter Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Walton Charter Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Walton Charter Academy's basic financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walton Charter Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walton Charter Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Walton Charter Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walton Charter Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costerian PC

October 23, 2025



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October 23, 2025

To the Board of Directors
Walton Charter Academy

We have audited the financial statements of the governmental activities and the major fund of Walton Charter Academy for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Walton Charter Academy are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2025. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We did not identify any sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Walton Charter Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC